

**Federal Personnel Manual System****FPM Letter** 451-4Published in advance  
of incorporation in FPM  
Chapter 451**RETAIN UNTIL SUPERSEDED****SUBJECT:** Awards for Disclosures of Fraud, Waste, and Mismanagement

Washington, D. C. 20415

July 29, 1982

Heads of Departments and Independent Establishments:

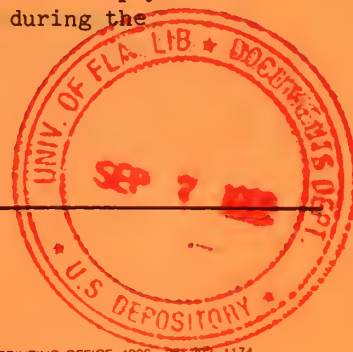
Background

1. Guidance to Inspectors General (IG) in the form of an OPM memorandum (June 25, 1981) summarized the legal/regulatory authorities under which Federal employees may be granted monetary awards for positive contributions to reduce fraud, waste, and mismanagement, and suggested what role the IGs might play in this process. More recently, with the passage of the Omnibus Budget Reconciliation Act of 1981, which amends Chapter 45 of title 5 United States Code, statutory Inspectors General or designated employees in agencies without statutory Inspectors General (hereafter referred to collectively as Inspectors General), have been given new and independent authority to grant cash awards to employees whose disclosures of fraud, waste, or mismanagement result in cost savings for the agency. (A copy of the statutory language is attached.) The amounts of awards are not to exceed the lesser of \$10,000 or 1% of the savings determined by an IG to have been attributable to the employee's disclosure. The Comptroller General shall review awards granted under this authority and the processes by which they were made. In addition to the IG's authority, the President may grant up to 50 awards of \$20,000 each fiscal year for such contributions. These new authorities were effective October 1, 1981; however, no awards may be granted by an IG or the President under these authorities after September 30, 1984.

2. Following is guidance on these new recognition authorities, as well as a discussion of their relation to existing awards authorities.

General

3. It is recommended that agencies use this guidance material as a basis for preparing their implementing instructions. Agencies should involve IG's in the formulation of both initial implementing instructions and any subsequent amendments thereto, and should obtain their concurrence in promulgation of instructions and amendments. Also, agencies are reminded of their obligation to negotiate and/or consult, as appropriate, with recognized labor organizations with respect to establishing or changing their incentive awards plans for these awards. Agencies should send their proposed implementing instructions to the OPM, Incentive Awards Branch, for review not later than 30 days prior to the proposed effective date. In their annual report to OPM on the Incentive Awards Program, agencies should include information on the number and amounts of awards, by grade level and pay schedule, for all awards granted for employee disclosures by the IG during the previous fiscal year.

**Inquiries:** Incentive Awards Branch (202) 632-4596**Code:** 451, Incentive Awards**Distribution:** FPM

#### Eligibility

4. The Omnibus Budget Reconciliation Act and the Government Employees' Incentive Awards Act (5 USC Chapter 45) indicate that employees of all Executive agencies are eligible to receive cash awards. The former provides for awards to any employee (including those covered under merit pay and SES) of an agency whose disclosure of fraud, waste or mismanagement to the Inspector General of the agency has resulted in cost savings for the agency. The latter provides for awards to any employee (except for merit pay employees) for a suggestion, invention, superior accomplishment, or other personal effort that contributes to the efficiency, economy, or other improvement of Government operations or achieves a significant reduction in paperwork, or for performing a special act in the public interest in connection with or related to official employment. Parallel authority for merit pay employees is in the provisions of 5 USC Chapter 54.

5. Cash awards for employee disclosures under the new authority are granted at the discretion of the IG when an employee of the agency voluntarily discloses to the IG or a member of the IG's staff fraud, waste, or mismanagement that results in cost savings to the agency. While the nature of their duties and responsibilities might preclude IG personnel from eligibility for awards under the new authority, it might be appropriate to recognize such an individual under existing incentive awards authorities if the performance of duties is "substantially above normal job requirements and performance standards", thus meriting recognition (5 CFR Part 451.201), in accordance with the agency's awards procedures and delegations of authority.

6. An individual or a group may be recognized under the new or existing authorities cited above. Where a group is involved, the award should be based on the savings to the Government and may be in equal or unequal shares depending on the nature of the individual contributions.

#### Delegations of Authority

7. Under existing provisions of 5 USC Chapter 45 (subchapter 1) and 5 USC Chapter 54, agency heads, and supervisors and managers acting under authority delegated to them by agency heads, have authority to grant awards to employees for high quality performance, suggestions, and inventions. Thus, for example, a manager may grant an award for a performance contribution, or for a suggestion that identifies a problem of waste or inefficiency and offers a solution that is implemented either in whole or in part. The new 5 USC Chapter 45 (subchapter II) disclosure award provisions differ from the existing ones in that they give specific authority directly to the IG to grant awards to individuals who voluntarily disclose to them fraud, waste, or mismanagement, the disclosure of which results in tangible savings to the agency.

#### Awards Computation

8. Awards for employee disclosures shall be based on total cost savings to the agency as determined by the IG or other designated employee in an agency not having an IG. The IG awards may not exceed \$10,000 or 1% of the agency's cost savings attributable to an employee's disclosure and may take into account savings projected for the first year following implementation as well as savings in all subsequent fiscal years.

### Funding for Awards

9. IG and Presidential Awards for employee disclosures should be paid from the agency's appropriation of salaries and expenses monies. Thus, prior to the IG's approval of an award, the agency head or his or her designated representative shall certify that the award is in accordance with the overall budget requirements of the agency.

### Presidential Awards

10. The Omnibus Budget Reconciliation Act of 1981 provides the President authority to grant up to 50 awards each year of \$20,000 for employee disclosures that have resulted in substantial cost savings to the Government. Agencies may recommend individuals whose disclosures result in savings to the Government that substantially exceed those that would qualify for a \$10,000 award. In considering such action, agencies should evaluate the impact of the disclosure in terms of measurable benefits to the agency and to the Government during the first as well as subsequent years following implementation. IGs should consider employee disclosure contributions and recommend to the head of the agency those meriting Presidential awards consideration. Such recommendations should be made to the Director, OPM. The documentation for such awards recommendations will be reviewed by the OPM and forwarded, as appropriate, to the President.

### Interagency Awards

11. Agencies should review employee disclosures or proposals for potential application elsewhere in Government. These should be referred in accordance with OPM regulations (5 CFR 451.208) and guidance (FPM chapter 451, subchapter 10). If, as a result of wider application, greater benefits to the Government result, an additional award may be granted to the employee under subchapter 1 of 5 USC Chapter 45.

### Documentation

12. Full documentation of the cost savings to the agency to substantiate the award decision shall be furnished to the Comptroller General of the United States in accordance with his instructions.

### Timing of Awards

13. For greatest motivational impact, awards should be granted as soon as an assessment can be made of the cost savings to the agency of the employee's disclosure. By granting these awards in a timely manner, not only the employee being awarded, but others within the organization will recognize management's interest in having employees involved in helping to reduce fraud, waste, and mismanagement. A supplemental award may be granted if additional savings are identified from an employee disclosure that are greater than initially determined.



Anonymity

14. Generally, agencies should publicize awards granted to employees for contributions benefiting the Government. Through public recognition of such outstanding contributions, others are encouraged to perform in a similar manner.

15. However, there may be instances of disclosure in which an employee selected to receive an award desires to remain anonymous. Under 5 USC 1206, employees may disclose fraud, waste, or mismanagement to IGs; remain anonymous in doing so; and be protected from reprisal. Agencies must honor an employee's request to remain anonymous and must take the steps necessary to ensure that the individual is protected from reprisal. Although the individual is not identified, the number and amounts of such awards, along with the savings to the Government and, whenever possible, a synopsis of actions taken as a result of such disclosures, should be released within the agency and, as appropriate, to the public to encourage other employees to disclose fraud and waste.

A handwritten signature in dark ink, appearing to read 'Donald J. Devine', is written over a horizontal line.

Donald J. Devine  
Director

Attachment

H.R. 3982-399

**AWARDS FOR THE DISCLOSURE OF WASTE, FRAUD, AND  
MISMANAGEMENT**

SEC. 1703. (a) Chapter 45 of title 5, United States Code, is amended by adding at the end thereof the following new subchapter:

**"SUBCHAPTER II—AWARDS FOR COST SAVINGS DISCLOSURES**

**"§ 4511. Definition and general provisions**

"(a) For purposes of this subchapter, the term 'agency' means any Executive agency.

"(b) A cash award under this subchapter is in addition to the regular pay of the recipient. Acceptance of a cash award under this subchapter constitutes an agreement that the use by the Government of an idea, method, or device for which the award is made does not form the basis of a further claim of any nature against the Government by the employee, his heirs, or assigns.

**"§ 4512. Agency awards for cost savings disclosures**

"(a) The Inspector General of an agency, or any other agency employee designated under subsection (b), may pay a cash award to any employee of such agency whose disclosure of fraud, waste, or mismanagement to the Inspector General of the agency, or to such other designated agency employee, has resulted in cost savings for the agency. The amount of an award under this section may not exceed the lesser of—

"(1) \$10,000; or

"(2) an amount equal to 1 percent of the agency's cost savings which the Inspector General, or other employee designated under subsection (b), determines to be the total savings attributable to the employee's disclosure.

For purposes of paragraph (2), the Inspector General or other designated employee may take into account agency cost savings projected for subsequent fiscal years which will be attributable to such disclosure.

"(b) In the case of an agency for which there is no Inspector General, the head of the agency shall designate an agency employee who shall have the authority to make the determinations and grant the awards permitted under this section.

"(c)(1) The Inspector General, or other employee designated under subsection (b), shall submit to the Comptroller General documentation substantiating any award made under this section.

"(2) The Comptroller General shall, from time to time, review awards made under this section and procedures used in making such awards to verify the cost savings for which the awards were made.

**"§ 4513. Presidential awards for cost savings disclosures**

"The President may pay a cash award in the amount of \$20,000 to any employee whose disclosure of fraud, waste, or mismanagement has resulted in substantial cost savings for the Government. In evaluating the significance of a cost savings disclosure made by an employee for purposes of determining whether to make an award to such employee under this section, the President may take into account cost savings projected for subsequent fiscal years which will be attributable to the disclosure. During any fiscal year, the President may not make more than 50 awards under this section.

**"§ 4514. Expiration of authority**

"No award may be made under this title after September 30, 1984."





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